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## SENATE BILL No. 338

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### DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 5-10.3-12.

**Synopsis:** PERF retiree health insurance. Establishes requirements for health insurance offered by the public employees' retirement fund (PERF) to members of the fund and their spouses, surviving spouses, and eligible dependents.

**Effective:** July 1, 2004.

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January 12, 2004, read first time and referred to Committee on Pensions and Labor.

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Introduced

Second Regular Session 113th General Assembly (2004)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2003 Regular Session of the General Assembly.

## SENATE BILL No. 338

A BILL FOR AN ACT to amend the Indiana Code concerning pensions.

*Be it enacted by the General Assembly of the State of Indiana:*

- 1 SECTION 1. IC 5-10.3-3-8, AS AMENDED BY P.L.183-2003,  
2 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JULY 1, 2004]: Sec. 8. (a) The board may do any of the following:  
4 (1) Establish and amend rules and regulations:  
5 (A) for the administration and regulation of the fund and the  
6 board's affairs; and  
7 (B) to effectuate the powers and purposes of the board;  
8 without adopting a rule under IC 4-22-2.  
9 (2) Make contracts and sue and be sued as the board of trustees of  
10 the public employees' retirement fund of Indiana.  
11 (3) Delegate duties to its employees.  
12 (4) Enter into agreements with one (1) or more insurance  
13 companies to provide life, ~~hospitalization, surgical, medical,~~  
14 dental, vision, long term care, or supplemental Medicare  
15 insurance, utilizing individual or group insurance policies for  
16 retired members of the fund, and, upon authorization of the  
17 respective member, deduct premium payments for such policies



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from the members' retirement benefits and remit the payments to the insurance companies.

(5) Enter into agreements with one (1) or more insurance companies to provide annuities for retired members of the fund, and, upon a member's authorization, transfer the amount credited to the member in the annuity savings account to the insurance companies.

(6) For the 1977 police officers' and firefighters' pension and disability fund, deduct from benefits paid and remit to the appropriate entities amounts authorized by IC 36-8-8-17.2.

(7) Whenever the fund's membership is sufficiently large for actuarial valuation, establish an employer's contribution rate for all employers, including employers with special benefit provisions for certain employees.

(8) Amortize prior service liability over a period of forty (40) years or less.

(9) Recover payments made under false or fraudulent representation.

(10) Exercise all powers necessary, convenient, or appropriate to carry out and effectuate its public and corporate purposes and to conduct its business.

**(b) The board shall under IC 5-10.3-12 enter into agreements with one (1) or more insurance companies to provide a group health insurance program for retired and disabled members of the fund, and, upon authorization of the participating members, deduct premium payments from the members' retirement benefits and remit the payments to the insurance companies.**

~~(b)~~ (c) An agreement under subsection (a)(4) or (b) may be for a duration of three (3) years.

~~(c)~~ (d) This subsection does not apply to investments of the board. A contract under subsection (a)(2) may be for a term of not more than five (5) years, with an ability to renew thereafter.

~~(d)~~ (e) The board's powers and the fund's powers specified in this chapter shall be interpreted broadly to effectuate the purposes of this chapter and may not be construed as a limitation of powers.

SECTION 2. IC 5-10.3-12 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2004]:

**Chapter 12. Health Insurance for Retired or Disabled Fund Members and Survivors**

**Sec. 1. As used in this chapter, "eligible dependent" means a dependent who, at the member's death, would qualify for a**

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1 surviving dependent benefit under IC 5-10.2-3-7.5, IC 5-10.2-3-7.6,  
2 or IC 5-10.2-3-8.

3 Sec. 2. As used in this chapter, "group health insurance  
4 program" means a program providing one (1) or more of the kinds  
5 of insurance described in classes 1(b) and 2(a) of IC 27-1-5-1 on a  
6 group basis.

7 Sec. 3. The board shall establish a common and unified group  
8 health insurance program for members, members' spouses, and  
9 members' eligible dependents in accordance with this chapter.

10 Sec. 4. (a) Beginning April 1, 2005, the board shall make  
11 coverage available under a group health insurance program to  
12 each member who meets all of the following criteria:

13 (1) The member receives retirement or disability benefits  
14 from the fund.

15 (2) The member elects to participate in the fund's insurance  
16 program:

17 (A) not later than July 1, 2005, for a member who is  
18 receiving a benefit from the fund on April 1, 2005; or

19 (B) not later than ninety (90) days after the date on which  
20 the member first receives a benefit from the fund, for a  
21 member who first receives a benefit from the fund after  
22 March 31, 2005.

23 (3) The member pays the amount required by section 6 of this  
24 chapter for the coverage.

25 (b) A member who participates in a group insurance program  
26 under IC 5-10-8 is not eligible to participate in the group health  
27 insurance program established under this section.

28 Sec. 5. (a) The group health insurance program established  
29 under section 3 of this chapter must be equal in coverage to the  
30 group health insurance program offered to active employees of the  
31 state under IC 5-10-8.

32 (b) The total cost for a member for the group health insurance  
33 program established under section 3 of this chapter must not  
34 exceed the total of the employee's and the employer's premiums for  
35 group health insurance for an active employee of the state under  
36 IC 5-10-8.

37 Sec. 6. (a) To participate in the group health insurance program  
38 established under section 3 of this chapter, a member must  
39 authorize the board to deduct one percent (1%) of the member's  
40 retirement or disability benefit each month for the coverage.

41 (b) The board shall pay the remainder of the cost for the  
42 coverage from the health insurance fund established by section 10

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of this chapter.

(c) If a member makes the payment required by subsection (a), the member is eligible for coverage under the group health insurance program established under section 3 of this chapter until the member's eligibility ends under subsection (d).

(d) A member's eligibility for coverage under the group health insurance program established under section 3 of this chapter ends when the member becomes eligible for Medicare coverage as prescribed by 42 U.S.C. 1395 et seq.

(e) The amount a member pays under section 7 of this chapter for coverage for the member's spouse and eligible dependents is in addition to the amount deducted from the member's benefit under subsection (a) for the member's coverage.

Sec. 7. (a) A member who participates in the group health insurance program established under section 3 of this chapter may elect to have the member's spouse and eligible dependents covered under the program.

(b) For a member's spouse and eligible dependents to be covered under the group health insurance program established under section 3 of this chapter, the member must make the election described in subsection (a) at the time the member elects to participate in the group health insurance program.

(c) If a member makes a timely election under subsection (b) and pays the premium established by the program for the additional participants' coverage, the member's spouse and eligible dependents shall be allowed to participate in the group health insurance program. The premium for coverage of a member's spouse and eligible dependents may not exceed the amount charged to an active employee of the state for equivalent coverage under IC 5-10-8-7.

(d) If a member dies and the member's spouse and eligible dependents pay the amount that the member would have been required to pay for the coverage elected by the member's spouse and eligible dependents, the member's spouse's and eligible dependents' subsequent eligibility to continue coverage under this section is not affected by the death of the member.

(e) A surviving spouse's eligibility for coverage under this section ends on the earlier of the following:

- (1) The date on which the surviving spouse becomes eligible for Medicare coverage as prescribed by 42 U.S.C. 1395 et seq.
- (2) The date of the surviving spouse's remarriage.

(f) An eligible dependent's eligibility for coverage under this

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section ends on the earlier of the following:

(1) The date on which the dependent no longer qualifies for a benefit under IC 5-10.2-3-7.5, IC 5-10.2-3-7.6, or IC 5-10.2-3-8.

(2) The date on which the dependent becomes eligible for Medicare coverage as prescribed by 42 U.S.C. 1395 et seq.

(g) The eligibility of a living member's spouse for coverage under this section ends on the date on which the spouse becomes eligible for Medicare coverage as prescribed by 42 U.S.C. 1395 et seq.

(h) A surviving spouse or eligible dependent who is receiving a benefit from the fund on April 1, 2005, may, not later than July 1, 2005, elect to participate in the group health insurance program established by this chapter. A surviving spouse or eligible dependent electing under this subsection to participate shall be allowed to participate in the group health insurance program if the surviving spouse or eligible dependent:

(1) meets the eligibility requirements of this section; and

(2) pays the amount that a member would have been required to pay for the coverage elected by the surviving spouse and eligible dependents.

Sec. 8. (a) The board shall establish a health benefit plan available to members, spouses, surviving spouses, and dependents who elect to participate in a health insurance program under this chapter after the member, spouse, surviving spouse, or dependent become eligible for Medicare coverage as prescribed by 42 U.S.C. 1395 et seq. The plan must include coverage for prescription drugs comparable to a Medicare supplement plan that provides prescription drug benefits.

(b) Payment of premiums for coverage under the plan described in subsection (a) is not governed by sections 6 and 9 of this chapter.

Sec. 9. (a) As used in this section, "compensation" means:

(1) the basic salary earned by and paid to a member; plus

(2) the amount that would have been a part of the basic salary earned and paid except for the member's salary reduction agreement established under Section 125, 403(b), or 457 of the Internal Revenue Code; plus

(3) the amount paid as overtime under the Fair Labor Standards Act (29 U.S.C. 201 et seq.).

(b) Except in cases in which the contribution is made on behalf of the member, each member who is employed in a covered position after March 31, 2005, shall, as a condition of employment,

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for the benefit of the health insurance fund created by section 10 of this chapter, contribute the following percentage of the member's compensation depending on the amount of creditable service earned by the member:

(1) For a member with less than six (6) years of creditable service, one and twenty-five hundredths percent (1.25%) of the member's compensation.

(2) For a member with at least six (6) years but less than eleven (11) years of creditable service, one and one-half percent (1.5%) of the member's compensation.

(3) For a member with at least eleven (11) years but less than sixteen (16) years of creditable service, one and seventy-five hundredths percent (1.75%) of the member's compensation.

(4) For a member with at least sixteen (16) years but less than twenty-one (21) years of creditable service, two and twenty-five hundredths percent (2.25%) of the member's compensation.

(5) For a member with at least twenty-one (21) years of creditable service, two and one-half percent (2.5%) of the member's compensation.

(c) The employer shall deduct the contribution from the member's wages each pay period and pay the amount to the auditor of state for deposit into the health insurance fund established by section 10 of this chapter.

(d) The employer may pay all or a part of the contribution for the member.

Sec. 10. (a) The health insurance fund is established to pay the costs of the health insurance program required by section 3 of this chapter.

(b) The health insurance fund consists of the following:

(1) Contributions paid by members under section 9 of this chapter.

(2) Money received by the fund from any other source.

(3) Earnings acquired through the use of money belonging to the fund.

(4) Interest earned from money in the fund.

(c) The health insurance fund shall be administered by the board. The expenses of administering the health insurance fund shall be paid from money in the health insurance fund.

(d) The board shall invest the money in the health insurance fund not currently needed to meet the obligations of the health insurance fund in the same manner as the board's other funds may

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1 be invested. Interest that accrues from these investments shall be  
2 deposited in the health insurance fund.

3 (e) Money in the health insurance fund at the end of a state  
4 fiscal year does not revert to the state general fund.

5 Sec. 11. The board may provide group health insurance:

6 (1) for retired or disabled members, their spouses, and eligible  
7 dependents not covered by any other section of this chapter;  
8 or

9 (2) that contains provisions more favorable to retired or  
10 disabled members, their spouses, and eligible dependents than  
11 are required by this chapter.

12 SECTION 3. [EFFECTIVE JULY 1, 2004] (a) The public  
13 employees' retirement fund board of trustees established by  
14 IC 5-10.3-3-1 and the auditor of state shall take the actions  
15 necessary to implement IC 5-10.3-12, as added by this act, before  
16 April 1, 2005.

17 (b) This SECTION expires April 2, 2005.

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